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Energy

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OIL SANDS ROYALTY INFORMATION BULLETIN 2011-09

Subject: Criteria for Inclusion of Wells Completed Prior to the Project Effective Date in an Oil Sands Royalty Project

This Information Bulletin is to provide the applicants of oil sands royalty ("OSR") Projects with the criteria that are being applied by Alberta Energy in approving the inclusion of wells completed prior to the Project effective date in an OSR Project. Criteria that deal with wells completed after the proposed project effective date are normally specified in the Project description.

According to section 14(2) of the *Oil Sands Royalty Regulation, 2009 (AR 223/2008)* ("Regulation"), for a capital asset to be included in the description of a Project, the applicant must demonstrate the following:

- The asset is a core or supporting asset of the Project;
- The sustained use of the asset over the remaining useful life of the asset for the purposes of the Project as a percentage of the total use of the asset for all purposes is likely to equal or exceed the Project use threshold; and
- All the approvals required by law in relation to the asset are subsisting.

In alignment with the relevant provisions of the Regulation, the following criteria apply to wells that entirely reside on Project lands:

- As delineation of an oil sands reservoir is deemed to be necessary for Project operations, oil sands delineation wells drilled and abandoned on Project lands may be included in the Project. Any abandoned wells other than abandoned oil sands delineation wells will not be approved in the Project;
- For suspended wells or wells planned to be suspended within one year after the proposed project effective date to be approved in a Project, the applicant needs to provide an economic assessment indicating that returning the suspended wells to operation is economically viable. The assessment will need to be stamped by a Professional Engineer (P. Eng.) on behalf of the applicant. The assessment should also include a proposed time frame for placing the suspended well in service and a general plan for how that is to be done;

- Oil sands delineation wells on Project lands completed within the prior net cumulative balance period of the proposed project or Project amendment will be included in the Project;
- Active or ready to be activated wells including bitumen production wells, water/steam injection wells, polymer/solvent/gas injection wells, water source wells, disposal wells and observation wells may be included in the Project if they are being used or will be used for Project purposes.

The following criteria apply to wells that reside partially or entirely off Project lands:

- Abandoned or suspended wells will not be included in the Project;
- Oil sands delineation wells that reside off Project lands will not be included in the Project;
- For bitumen production wells that are not 100% residing on or under Project lands, the applicant needs to provide well trajectory and completion information for them to be considered for inclusion in the Project;
- Water source and disposal wells will not be included in the Project unless the applicant can demonstrate that their use is solely for Project operations. If it is subsequently determined that they are not being used appropriately for the Project, they will be removed from the Project;
- Observation wells will not be included in the Project unless the applicant can provide evidence showing that the well is a statutory requirement for monitoring the operation of another asset of the Project.

Questions regarding this Information Bulletin may be directed to:

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